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Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Leslye Corsiglia

SUBJECT: SEE BELOW

DATE: May 30, 2001

Approved

Date

06.05.01

INFORMATION

**SUBJECT: STATUS REPORT ON MAYOR'S HOUSING PRODUCTION TEAM
RECOMMENDATION TO EXPLORE OTHER REVENUES FOR
AFFORDABLE HOUSING (HOUSING PRODUCTION TEAM
RECOMMENDATION #2)**

In the fall of 2000, the Mayor created a Housing Production Team (HPT) to develop goals, recommendations and actions to increase housing production in San Jose. The City Council approved the HPT Report on January 16, 2001 with amendments, and requested that the Administration respond to each recommendation. One of the recommendations in the report was: "Looking at other sources of revenue to put into housing. For example: Taking a percentage of surplus costs in an existing tax and putting that money into the Housing Department for low-end affordable housing. Have funds from new industrial development to State returned to locals for housing development" (HPT Recommendation #2).

BACKGROUND

The Five-Year Consolidated Plan for 2000-05, adopted by the City Council on May 2, 2000, includes an action item to complete a study of the feasibility of creating a housing trust fund that would provide an ongoing, dedicated source of revenue for affordable housing efforts beyond the current Five-Year Plan. The need to identify additional resources for the continuation of affordable housing production is a priority for the Housing Department.

HONORABLE MAYOR AND CITY COUNCIL

May 30, 2001

Subject: Status Report on Mayor's Housing Production Team Recommendations to Explore Other Revenues for Affordable Housing (HPT Recommendation #2)

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ANALYSIS

A Housing Trust Fund is a distinct fund established by a city, county or state that permanently dedicates a source of public revenue to support the production and preservation of affordable housing. According to the National Low Income Housing Coalition, there are currently at least 150 housing trust funds in the United States. Thirty-six states have created these funds; the remaining 114 were created by cities and counties. These funds have demonstrated that when government makes a commitment to address critical housing needs, an on-going dedicated source of revenue provides strategic financing resource leveraging other public and private resources.

The need for a Housing Trust Fund in San José is becoming increasingly important, especially when considering that once the City has reached its bonding capacity with 20% Funds, there will no longer be a single significant source of funds for affordable housing. Within the next two to five years, the City is likely to have pledged all of its available tax increment for the debt on these bonds. Therefore, the primary goal of the Housing Trust Fund will be to identify a source(s) of funds that would be ongoing and dedicated for affordable housing purposes.

CURRENT STATUS

To address the Consolidated Plan action item noted above, the Housing Department has retained a consultant -- Hasrauth & Associates -- to complete a study of potential funding sources for a trust fund. Currently, the consultant is focusing on the feasibility of implementing a Fund that would disburse grants and loans to affordable housing developers using revenues from sources not identified at this time. A detailed response will incorporate the results of this study and will be presented to the City Council by November 2001.


LESLEYE CORSIGLIA
Acting Director of Housing